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COMMISSION

Kentucky Power
P O Box 5190
101A Enterprise Drive
Frankfort, KY 40602
KentuckyPower.com

February 19, 2009

Jeff R. Derouen
Executive Director
Public Service Commission of Kentucky
Attn: Brent Kirtley
211 Sower Boulevard
PO Box 615
Frankfort, KY 40602-0615

Re: Alternate Feed Service Contract with King's Daughter Medical Center

Dear Mr. Derouen:

Pursuant to Regulation 807 KAR 5:011, Section 13, enclosed are the original and four copies of the Contract for Alternate Feed Service (AFS) between King's Daughter Medical Center (KDMC) and Kentucky Power Company. The contract provides an AFS at rates and terms that were agreed upon by both parties.

KDMC currently has redundant distribution service from AEP in the amount of 6,000 kW. Due to expansion at the KDMC, the customer wishes to increase its AFS to 7,400. This 1,400 kW increase requires upgrades in the distribution facilities in order to carry the increased load on the AFS.

The Company believes that customers who elect AFS, which is a superior form of service, should pay the costs associated with this premium service. The Company also believes this approach follows the cost-to-cost-causer ratemaking principle.

Consistent with this approach, the AFS reservation fee is based upon the Company's distribution costs as approved in its last base rate case. Since AFS does not require redundant transmission and generation facilities, those costs are excluded from the AFS reservation fee. The AFS reservation fee is an average based upon costs and demand data from the last rate case for KPCO's commercial and industrial tariffs and includes the cost of metering the AFS. Alternate Feed Service at this same fee would be available to any similarly situated AFS customer.

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The Company has observed an increased interest in AFS from customers and anticipates filing with the Commission in its next base rate case a new tariff for AFS which would be available to all applicable customers. Until the Company's next base rate case and when the AFS requires the Company to upgrade its facilities in order to provide the premium service, the Company has elected to handle these AFS request on a case-by-case basis and file the special contract with the Commission.

The Company is not planning to make any of the upgrades to its facilities until after the Commission approves the attached special contract.

After you or your staff's review and should there be any questions, please feel free to contact me at 502-696-7010.

Sincerely,

A handwritten signature in black ink, appearing to read "Errol K. Wagner", written in a cursive style.

Errol K Wagner
Director Regulatory Services

Attachments